

CREATING A STRONGER AND HEALTHIER NATION

As we move toward a new century, our Nation faces significant health and human service challenges. Advances in biomedical research and medical technologies, changing demographics, and transformations in the structure and delivery of health care, public health, and social services all present us with new opportunities and new demands. The President's FY 1998 budget for the Department of Health and Human Services (HHS) ensures that our Nation's health and social services programs will have the flexibility to address these changes.

Our budget takes several critical steps toward creating a stronger and healthier nation:

- It puts us on a path to balancing the budget by 2002;
- It preserves Medicare and Medicaid by reforming, strengthening, and modernizing both programs;
- It assists growing numbers of American families who lack health insurance coverage;
- It provides assistance and support to States as they assume new responsibilities under welfare reform and to families as they make the transition to work;
- It helps families raise strong and healthy children by strengthening our investment in Head Start, teen pregnancy prevention and abstinence education; increasing opportunities for adoption; and bolstering our efforts to reduce tobacco use and drug abuse among youth; and
- It strengthens the health and safety of our Nation by sustaining biomedical research at the National Institutes of Health, developing

a new food safety initiative, combating infectious diseases, and providing life-extending drug therapies to people with AIDS.

The President's plan for the FY 1998 budget proposes a balanced budget by FY 2002 through a combination of program savings, responsible reforms and strong management. The Department of Health and Human Services plays a major role in this balanced budget effort.

The President's FY 1998 budget for the Department of Health and Human Services totals \$376 billion in outlays, an increase of \$25 billion, or 7 percent, over the comparable FY 1997 amount. The discretionary portion of the HHS budget totals \$34.7 billion in budget authority, an increase of 1.4 percent over the FY 1997 level.

PRESERVING AND STRENGTHENING MEDICARE AND MEDICAID

Medicare

The President's Medicare plan preserves and modernizes the program, reducing projected spending by a net \$100 billion over five years while guaranteeing the solvency of the Part A Hospital Insurance trust fund until 2007. We are reforming Medicare to make it more efficient and responsive to beneficiary needs, give seniors more choices among private health plans, cut the growth of provider payments, and hold the Part B premium to 25 percent of program costs.

In FY 1998, HHS will continue to crack down on Medicare and Medicaid fraud and abuse through implementation of the Medicare integrity and anti-fraud and abuse programs that are authorized by the Health Insurance Portability and Accountability Act of 1996. Building on the successes of the HHS pilot

project, *Operation Restore Trust*, HHS and the other Federal, State, and local partners will expand anti-fraud efforts to all 50 states. CBO estimates \$3 billion in health care costs will be saved over seven years through these efforts.

Medicaid

The President's plan for Medicaid reforms the program but preserves the guarantee of health and long-term care coverage for the most vulnerable Americans. Over 37.5 million children, pregnant women, people with disabilities, and the elderly would continue to receive basic health and long-term care services under Medicaid. Recognizing that growth in Medicaid spending has declined significantly over the past two years, this budget seeks to maintain those lower spending levels in the outyears when spending growth is projected to rise again. The President's legislative proposals for Medicaid will achieve a net savings of \$9 billion over the five years, from 1998 through 2002. This total is comprised of both spending and savings proposals that improve and strengthen the Medicaid program, while more appropriately targeting spending for our most vulnerable populations. The President's Medicaid savings are achieved through the establishment of a per capita cap and through the retargeting of Disproportionate Share Hospital spending, for a total of \$22 billion over five years. The major spending initiatives also include our children's health initiative and our welfare reform related proposals.

The plan also helps States meet the most pressing needs, while giving States unprecedented flexibility to administer their programs more efficiently. Finally, the plan retains current nursing home quality standards and continues to protect the spouses of nursing home residents from impoverishment.

MAINTAINING AND EXPANDING

HEALTH CARE COVERAGE FOR WORKING FAMILIES

The FY 1998 budget builds upon last year's health insurance victory for working Americans--the Health Insurance Portability and Accountability Act of 1996. This Act guarantees access to health insurance for small firms, regardless of the health status of any group of members; limits the use of exclusions due to pre-existing conditions; and guarantees access to health insurance for people moving into the individual market from a group plan.

As a part of the President's health legislation package, our budget includes \$25 million each year for five years in grants to States to establish voluntary health insurance purchasing cooperatives to take advantage of economies of scale to which small firms normally do not have access in purchasing health insurance.

The budget also includes \$1.7 billion to help States finance up to six months of health insurance coverage for temporarily unemployed workers and their families. The program will be available to recipients with incomes below a certain level, who had employer-based coverage in their prior jobs. States will have substantial flexibility to administer the demonstration program. This program will help more than 3 million working Americans and their families, including 700,000 children.

An estimated 10 million children in America today do not have health insurance. The President is proposing a series of steps to help address this problem and reach the goal of reducing the number of uninsured children by half by the end of FY 2000. First, the budget proposes \$750 million in annual grants to States to build on their recent successes in working with insurers, providers, employers, schools, and others to develop innovative ways to provide health insurance coverage to children. Second, the budget provides funds to allow States the

option to extend one year of continuous Medicaid coverage to children, thus increasing continuity and security for children and families. The proposal would reduce administrative burdens on States, families, and health care plans that now have to determine eligibility on a monthly basis. Finally, we will work with the Nation's Governors to develop new ways to reach out to the 3 million children who are currently eligible for Medicaid but are not presently enrolled. In addition, under current law an estimated 250,000 14-year-olds will become eligible for Medicaid in 1998.

BUILDING STRONG FOUNDATIONS FOR FAMILIES AND CHILDREN

The best gifts we can give our children are strong families, safe communities, and good health. Strong foundations are important for every child's future. Both research and the experiences of parents and caregivers tell us that a child's environment during the early years is especially critical to their ability to succeed in school and later in life.

In addition to expanding health care coverage for children, this budget includes many other special initiatives to help our children and families.

Tobacco: Every year, more than 400,000 people die from tobacco-related cancer, respiratory illness, heart disease, and other health problems. At the same time, each year another million young people become regular smokers. The vast majority of adults who smoke began doing so before their 18th birthday. Consequently, in August 1996, the Administration approved an FDA regulation of tobacco products that aims to cut tobacco use among young people by half over seven years by reducing access and appeal.

Our budget includes \$34 million to implement the regulation. The budget also

provides \$36 million for the Centers for Disease Control and Prevention (CDC) and \$22 million for the National Institutes of Health (NIH) for financial and technical support to States for tobacco prevention and control activities. In addition, the Substance Abuse and Mental Health Services Administration (SAMHSA) is working with States to support enforcement of State laws that prohibit the sale of tobacco products to minors.

Reducing Substance Abuse Among Youth:

After years of steady decline, marijuana use is rapidly increasing among American youth. As much a cause for concern is the fact that adolescents increasingly feel there is little or no risk to themselves or others in their abusing drugs. To reverse these trends, the Department is increasing the resources dedicated to its new youth substance abuse prevention initiative.

The FY 1998 budget increases support for SAMHSA to \$98 million to mobilize and leverage Federal and State resources, raise awareness and counter pro-use messages, and measure outcomes. Approximately \$63 million will be dedicated to State Incentive Grants. These grants call upon Governors to develop comprehensive State-wide strategies to reduce youth substance abuse. In designing their plans, States may propose their own approaches but will be offered a menu of effective substance abuse prevention strategies and programs that are based on scientific research. SAMHSA will focus public education efforts on reaching youth and their caregivers by integrating and expanding its Girl Power! and Reality Check-anti-drug use campaigns. And to measure outcomes, approximately \$28 million will be used to expand SAMHSA's National Household Survey on Drug Abuse. The Household Survey now provides data for making national estimates on the prevalence of substance abuse in the population age 12 years and older as well as

information on behavior, attitudes, and household environment. The expansion will also provide State-by-State data on these same measures, allowing Governors and others to know where efforts are succeeding and where improvement is needed. The Administration also calls on Congress to enact SAMHSA's Performance Partnership Block Grant proposal, which would give States more flexibility to better design and coordinate their anti-abuse programs and target resources to community priorities.

Our request also includes an increase of \$30 million for the NIH which is part of the Administration's cross-cutting commitment to combat drug abuse. The \$30 million will be targeted to the high priority areas of understanding the role of brain functioning in the development and consequences of addiction; drug abuse among children and adolescents; the role of drug abuse as the primary vehicle for the transmission of HIV; behavioral research, and prevention research. The increased funding will further the development of a medication for the treatment of cocaine addiction.

Head Start: Studies of children enrolled in Head Start programs continue to show that the Head Start experience has a positive impact on school readiness, increases children's cognitive skills, boosts self-esteem and achievement motivation, and improves school social behavior. Head Start has also been shown to help parents improve their parenting skills, increase participation in their children's school activities and, in many cases, help parents on the road to self-sufficiency. In short, Head Start works and needs to be expanded to reach more Head Start-eligible children in families not currently served by the program. The budget includes \$4.3 billion, \$324 million more than in 1997, to ensure that Head Start stays on track to serve 1 million children by 2002. The additional funds

will allow Head Start to serve an additional 36,000 new children and their families, bringing total Head Start enrollment to an estimated 836,000.

Adoption Initiative: Each year, State child welfare agencies secure homes for less than one-third of the children for whom the goal is adoption or other permanent placement. These children wait an average of three years to be placed in permanent homes. President Clinton has challenged States and Federal agencies to at least double, by the year 2002, the number of children in foster care who are adopted or permanently placed each year. HHS will lead the effort to raise public awareness, identify barriers to permanent placement, set numerical targets with States, and reward successful performance. To accomplish this, the FY 1998 budget includes \$21 million for an adoption initiative. Funds will be used to provide training and enhanced technical assistance to States; support grants to States to assist them in removing barriers to adoption or permanent placement; engage business, church and community leaders in this initiative; and develop and lead a public awareness effort to include public service announcements, print material and increased use of Internet resources to promote adoption. In addition, our budget proposes paying incentives to States for increases in adoptions which will be offset by anticipated reductions in foster care costs.

Preventing Teen Pregnancy: Teen pregnancy rates are declining, but more needs to be done to address this national problem. Each year, about 200,000 teens ages 17 and younger have children. Their babies are often low birth weight and are at high risk for infant mortality. They are also far more likely to be poor. In fact, about 80 percent of the children born to unmarried teenagers who have dropped out of

high school are poor. In contrast, just 8 percent of children born to married high school graduates aged 20 or older are poor. The FY 1998 budget includes \$14.2 million for the Adolescent Family Life Program, an abstinence based education program, that builds on the Administration's ongoing efforts to help communities prevent out-of-wedlock teen pregnancies. In addition, the new welfare reform law signed by President Clinton on August 22, 1996, provides \$50 million a year in new Health Resources and Services Administration (HRSA) funding for State abstinence education activities, beginning in FY 1998.

PUBLIC HEALTH AND SAFETY FOR THE 21ST CENTURY

Investments in public health can yield substantial returns -- fewer premature deaths, fewer and less costly illnesses, and healthier, more productive lives. The FY 1998 budget invests in biomedical research and in public health initiatives that show great promise for ameliorating critical health problems while controlling future costs.

Biomedical Research: The budget continues the Administration's longstanding commitment to biomedical research, which advances the health and well-being of all Americans. For the NIH, it proposes \$13.1 billion for biomedical research that would lay the foundation for future innovations that improve health and prevent disease. The budget includes \$223 million to emphasize research in six areas NIH has identified as showing the most promise for addressing public health needs and yielding medical advances, including research on the biology of brain disorders; new approaches to pathogenesis; new preventive strategies against disease; genetics of medicine; advanced

instrumentation and computers in medicine and research; and new avenues for therapeutics development. In addition, the request funds research on HIV/AIDS, breast cancer, drug abuse, spinal cord injury and regeneration as well as many other diseases and disorders that affect the health, productivity, and quality of life of all Americans. The budget request also includes the second year of funding for a new Clinical Research Center, which will give NIH a state-of-the-art research facility in which researchers can continue to bring the latest medical research discoveries directly to patients' bedsides.

In just the past year, NIH-sponsored research has produced many major advances, such as locating the first major gene that predisposes men to prostate cancer; pinpointing the location of the gene that researchers believe is responsible for familial Parkinson's disease; and unveiling a map which identifies the locations of over 16,000 genes in human DNA, about one-fifth of the estimated 80,000 genes packaged within the human chromosomes. This will give researchers a ready list of "candidates" for genes involved in human diseases.

Food Safety: In recent years, new and serious food safety problems have occurred with increasing frequency, including illness outbreaks caused by foodborne pathogens such as *E. coli*, *Salmonella enteritidis*, *Vibrio vulnificus*, and *Cyclospora*. The CDC has recently estimated that there are as many as 33 million cases of foodborne illnesses each year in the United States. These illnesses are estimated to result in up to 9,000 deaths annually. To respond effectively to these food safety issues, the President has proposed a \$43 million food safety initiative, including \$34 million in FY 1998 for CDC and FDA, to strengthen surveillance systems for food-borne illnesses nation-wide, and to improve Federal-State coordination when food-borne disease outbreaks occur.

The budget would also further support a modernized system of food safety inspection in the seafood industry that quickly identifies potential food safety hazards in the production and processing of such food. In addition, the U.S. Department of Agriculture is a partner in this initiative, with an increase of \$9 million requested in FY 1998.

Infectious Disease: Recent outbreaks of a variety of infectious diseases have shown the public that emerging and re-emerging infectious diseases are an important potential threat to public health. Anticipating and preventing infectious diseases are far less costly, in human suffering and economic terms, than reacting with expensive treatment and containment measures once public health emergencies occur. To address this need, the budget includes \$59 million, \$15 million more than in 1997, for CDC's efforts to address and prevent emerging infectious disease. Funds will strengthen significantly the States' disease surveillance capability, applied research, and training.

HIV Treatment and Prevention: In 1996, the Ryan White Care Act was reauthorized with strong bipartisan support. The budget proposes over \$1 billion for HRSA's Ryan White activities, \$40 million more than in 1997. This will help our most hard-hit cities, States, and local clinics provide medical and support services to individuals with HIV/AIDS. Under this Administration, funding for Ryan White grants has risen by 158 percent. The 1998 budget would fund grants to cities and States to help finance medical and support services for individuals infected with HIV; to community-based clinics to provide HIV early intervention services; to pediatric AIDS and HIV dental activities; and to HIV education and training programs for health care providers.

The FY 1998 Ryan White request includes

\$167 million specifically for the AIDS drug assistance programs, while providing cities and States the flexibility to use other Ryan White dollars for drug assistance. The budget proposes \$634 million for the CDC's HIV prevention activities, \$20 million more than in 1997, to help prevent HIV among injecting drug users, who are at great risk of HIV infection. Finally, the budget proposes \$1.5 billion to continue research efforts in HIV infection and AIDS supported by NIH.